

# Holomua



Employees' Retirement System  
of the State of Hawaii  
*Working to fulfill your retirement dreams...*



## It pays to start your retirement preparation now

Our previous *Holomua* edition in September generated a flood of member inquiries regarding retirement eligibility and benefits. In addition to that issue's lead article on the new option factors effective from January 1, 2014, informational notices were mailed out to members eligible for retirement, State and County employers and employee organizations. Also, the ERS staff provided numerous employee briefing sessions regarding the impact of the option factor changes.

One of the results of this informational deluge was that members who had never considered retirement previously were suddenly anxious to know about their retirement benefits. Some members walked into our office without an intended retirement date and with no idea of what their pension amount would be should they retire. An impulsive decision of this importance is something that you can avoid by preparing for your retirement.

### Are you ready to retire?

When you are eligible to retire, filing for retirement is the easy part; deciding on the right time to retire is more difficult. To help with this, you should attend a pre-retirement session 1-2 years or so prior to your expected retirement date. Ideally, these sessions should provide members with ERS benefit information and information from other sources (Social Security, Hawaii Employer-Union Health Benefits Trust Fund "EUTF", etc.) that are vital to preparing for retirement. Contact your department personnel office to register for these sessions, if available on your island.

### If ready, when can you retire?

ERS retirement dates must be on the 1<sup>st</sup> of the month, except for the month of December which allows for retirement on the 1<sup>st</sup> and 31<sup>st</sup>. An application may be filed with ERS 150 to 30 days prior to the effective retirement date. Also, you may file 3 service retirement applications in your lifetime; therefore, you may cancel the first 2 applications but must retire on the 3<sup>rd</sup> filing.

### Will you be able to retire on your expected pension?

Our Benefits Calculator is an excellent tool to use when planning your retirement. It is on our website @ <http://ers.ehawaii.gov> and it will enable you to determine a ball park pension amount for your projected retirement date. You will need the following to enter into the calculator:

- An estimated retirement date
- Your birth date
- A beneficiary birth date
- Average monthly salary (or use your current gross monthly salary)
- Years of service (years and months)
- Contributory members pre-1987 contributions balance, if applicable
- Hybrid upgrade payment amounts, if any

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## Wes' Corner



The end of 2013 is upon us and so much has happened. Even though the years are going by quickly, it is important to reflect and remember the blessings that occurred during those years. The first quarter of the 2014 fiscal year ended with a positive investment return of 5.3% and \$12.9 billion in investments. Midway through the second quarter, we exceeded \$13 billion and are hoping that the positive returns will continue.

December is our busiest month for retirements with approximately 110 members retiring on December 1<sup>st</sup> and over 500 retiring on December 31<sup>st</sup> 2013. For those of you who have not retired, we encourage you to visit the ERS website where the Self Service and the Benefits Calculator are available to calculate your retirement estimates. The on-line service information (under Login to Self Service) was updated through June 30, 2013, or later, with your years of service (all plan members) and account balance (for Hybrid and Contributory Plan members). The ERS website continues to be heavily used, averaging over 35,000 hits per month. The benefits calculator continues to have the greatest number of hits, averaging over 8,000 per month.

The results of our 2013 Actuarial Valuation Report that includes among other things, the ERS's funding status and total pension and unfunded liabilities, will be reported in our next newsletter. The 2012 Actuarial Valuation Report included our assets and investments at \$11.3 billion with a funded ratio of 59.4%.

I hope that you and your family have good health and happiness in 2014.

Aloha,  
Wes Machida

## Making sure your information is accessible and secure

When you access the Self-Service module on our ERS website, you are able to view information regarding your plan, your years and months of creditable service and, for Contributory and Hybrid members, your retirement contribution account balance.

This information is helpful for members to confirm their retirement plan, their vested status and, more importantly, to utilize the benefit calculator more efficiently. Right now service credits and contribution balances do not reflect current amounts, and the ERS is working on updating the information on a more consistent schedule. In addition, we are planning to include information from member records and more detailed service and contribution data.

However, the security of your personal information is our highest priority. The information currently provided on our Self-Service module cannot be altered or changed and does not allow for any type of transaction. Our benefit calculator does not retain any information entered and will not keep a copy of your generated estimate. Future enhancements to our website's Self-Service feature may require greater access security (i.e., passwords, encryption, verification, etc.) that would not involve basic demographic information.

We realize that your retirement records are important to you, and we want to provide you with as much information as efficiently and accurately as possible. Access to information comes with some risk of security however, and we have seen ample evidence of that fact in recent events. The ERS strives to provide you with the information you need at the least risk possible.

### *Retirement Preparation – continued from cover*

Some of the above information is accessible from our Self Service module on our website or by calling the ERS at (808) 586-1735 or our neighbor island offices.

Although the pension amount from the Benefit Calculator is only an estimated amount, the calculator's estimate, along with your estimated Social Security benefit and other benefit sources, should allow you to make an informed retirement decision. In addition, the estimated pension amounts for all the other retirement options will be projected with a brief explanation of their features.

We hope that this guidance can enable our staff to serve you as you make decisions on your retirement date and option selection. Many members feel that there's too much information and not enough time to complete all the steps to retire. Planning ahead will only improve your retirement process experience.

## 2014 Spring Filing Session Schedule

The ERS has scheduled counseling appointment times for Oahu members who are retiring from April 1 to August 1, 2014. Neighbor island members may contact our island representatives for an appointment. At the appointments, staff will counsel members on their retirement benefits, provide general information on the retirement process, and assist members with the completion of their retirement applications and other required forms. We encourage our members to bring their spouses and/or significant others as well as their financial advisors, if applicable.

The following upcoming dates have appointment times of 8 a.m., 9:15 a.m., 10:30 a.m., 1 p.m., and 2:15 p.m. at the Oahu ERS office:

<b>February</b> 5, 7, 12, 14, 19, 21, 26, 28	<b>May</b> 1, 2, 14, 16, 21, 23, 28, 29, 30
<b>March</b> 5, 7, 17, 19, 20, 21, 28	<b>June</b> 25, 27
<b>April</b> 1, 2, 4, 9, 11, 16, 28, 29, 30	<b>July</b> 2

Please contact our office at (808) 586-1735 to schedule an appointment. You may also visit our website for more information on the appointment schedule at <http://ers.ehawaii.gov> under Members > Retirement Planning > Request an Appointment.

## New Investment Specialists for the ERS Investment Office

We are happy to announce that Andrew Chen and Ian Wetzel have joined the ERS Investment Office as Investment Specialists effective, October 1, 2013.

Andrew comes to the ERS from the Hong Kong office of Bloomberg LP where, from 2011 to 2013, he was a fixed income trading specialist covering institutional clients in Hong Kong and Taiwan. Prior to that, he worked at Bloomberg's San Francisco office as one of three fixed income trading specialists responsible for institutional client servicing across the West Coast. He also worked as an account manager at CMS BondEdge and at PIMCO in California where he was a compliance analyst. Andrew holds a master's degree in financial analysis from the University of San Francisco and an undergraduate degree in political science from the University of Notre Dame.

Ian joins the ERS from the Bank of Hawaii (BOH), where, as an assistant vice president and portfolio manager, he managed private client and institutional portfolios and conducted asset allocation and manager due diligence research. He began his investment management career with BOH as a risk analyst, producing investment reviews and risk variance reports for client portfolios. He received a BS in Business Administration from the University of Arizona and an MBA with a concentration on finance from the University of Hawaii at Manoa. Ian is a CFA charter holder and a member of the CFA Institute and CFA Society Hawaii.

"We are very excited to have such high caliber staff join the ERS Investment Office," noted Chief Investment Officer, Vijoy Paul Chattergy, "their work is expected to cover all investment products, and they will make important contributions to the management of the pension assets in the coming years."

## 2014 Brown Bag Sessions – Tips & Tools to Help You Plan Your Retirement

The number one question on each person's mind when thinking about retirement is...**How much will I receive for my retirement pension?**

To help you find the answer to your question and provide other useful information to understand your retirement plan, the ERS will be conducting informational workshops during the lunch hour for the new or mid-career Oahu employees. Our neighbor island offices will have their 2014 Informational Workshop schedule on our website in late January 2014.

We realize that members who are contemplating retirement attend pre-retirement sessions coordinated by their employers. With our brown bag sessions we want to reach out to those members who are not near retirement and provide them with information on what they should know about retirement now [so that they can plan for the future.](#)

These workshops will provide information from our website @ <http://ers.ehawaii.gov> that can help you, as well as answer your questions. Here's our quarterly schedule:

Dates	Time	Location
January 23	12:15 pm to 12:45 pm	ERS-City Financial Tower Suite 1200 (12 <sup>th</sup> floor)
February 20		
March 25		

To register, you will need to call our office at 586-1735 at least two weeks prior to the scheduled workshop. Each session is limited to thirty-five members. Limited parking is available in our building; enter via the Richards Street side entrance.

# Report from Vijoy Chattergy, Chief Investment Officer

Aloha Kakou.

For the current *Holomua*, we are staying with the risk/return duality concept. Actually, investors think more in terms of a tradeoff. To generate higher returns, one has to accept greater risks. To control risk, one must accept more modest returns. This tradeoff plays out most notably in the allocation decision between holding stocks and bonds. Stocks have higher returns, but are more risky. Bonds are less risky, but have lower returns. An investor decides what percentage of her portfolio to hold in stocks and bonds depending on both her target return and risk tolerance.

Investment returns can be improved through superior access to information and through better interpretation of that information. Investment risks are controlled through discipline, diversification, and time horizon modification. With more information (or less uncertainty), shouldn't we end up with a definitive answer? Anyone who has spent extended time listening to a 24/7 cable news channel understands that more information does not lead to better understanding. More to the point, the gobs of information provided by investment companies demonstrates the real world limitations of the idea that more data plugged into our investment formula leads to the "right solution."

Frustration with information overload causes investors to resort to information-poor approaches to investing. It's appealing to believe that a non-thinking approach can work because it's easy. In fact, such approaches can sometimes outperform more active approaches, but the luck of such strategies is more like a Blanche DuBois investment approach of depending "on the kindness of strangers."

Luck may have a significant role in any single investment result, but dedicated, long-term investments should begin with an assessment of the risk/return tradeoff. To tilt luck in our favor, we need a systematic method to understand what we know and do not know about market risk/return prospects. Along those lines, Donald Rumsfeld, the former Secretary of Defense, famously said, "there are known knowns; these are things we know that we know. There are known unknowns; that is to say, there are things that we now know we don't know. But there are also unknown unknowns – there are things we do not know we don't know."

Applying this insight to investment management, a known known is the market return, also called *Beta*. Almost every investment strategy has *Beta* as a component to its returns. The ERS portfolio also has a significant portion of its returns driven over the long term by market performance. Access to market returns has been simplified by the invention of index funds and ETFs. Therefore, the risk/return tradeoff of gaining market returns should be relatively simple to estimate and be inexpensive.

Another known known is the so-called *Smart Beta* strategies where returns are driven by market imperfections that are identified as separate from the market return. An example of *Smart Beta* is the small stock effect that basically finds that small-cap stocks outperform large-cap stocks over time. The ERS portfolio should have a portion of its returns more explicitly linked to these strategies in the future.

Turning to the known unknowns, investor skill-based returns, also known as Alpha, is an example of something difficult to quantify in the portfolio. We seek out skilled active fund managers who provide returns in excess of an identifiable benchmark index. However, it is very difficult to know if any excess returns are the result of skill, luck, or some still unidentified *Smart Beta* effect. Indeed, efficient market theory stipulates that any excess return is the result of taking additional risks that are not yet known. The ERS portfolio should have skilled active managers who justify their fees above that of an index fund as attributable to their abilities.

Finally, unknown unknowns include the housing bubble, internet bubble, Asian debt crisis, and the rise of mobile computing. These events do not lend themselves to modeling or long-term strategic planning, even if a few soothsayers warn of the approaching event. The ERS portfolio was blindsided by these unknown unknowns in the past. Performance could be improved if the ERS were able to avoid market exposure to assets affected by future crises. However, developing such abilities is not likely for the ERS or any investment manager.

No one can predict or control the unknown unknowns. Instead, the Investment Office can adjust the portfolio's risk/return characteristics by developing long-term asset allocation exposures to strategies (market index, *Smart Beta*, and skill-based returns) while allowing for flexible responses (risk management) to dynamic market conditions within established guidelines. Building a robust and resilient portfolio in the post-financial crisis is a main focus of the Investment Office.



# News from the EUTF

## News from the Hawaii Employer-Union Health Benefits Trust Fund (EUTF)

**“Wellness is an active process of becoming aware of and making choices toward a healthier and more successful life!” Author – unknown**

Below is information regarding the various wellness programs already available to EUTF members enrolled in the HMSA and Kaiser Plans! Please take advantage of these wonderful programs!

### Hawaii Medical Service Association (HMSA):

HMSA's **Well-Being Connection** is a comprehensive suite of services and tools aimed at improving our members' physical, emotional and social health and well-being. Plan members can access a dynamic set of resources and well-being solutions through integrated prevention, risk reduction, and chronic disease management services that focus on:

- *Adopting or maintaining healthy behaviors and improving human performance*
- *Mitigating health-related lifestyle risks and unhealthy behaviors*
- *Optimizing care for those with chronic health conditions*

HMSA offers plan members a personalized health and lifestyle management approach and to improve members' well-being, HMSA is re-launching an enhanced Well-Being Connect and upgrading the Healthways Well-Being Assessment™, in early 2014. **HMSA Well-Being Connect\*** serves as the member web portal, accessible via [www.hmsa.com/wellness-programs/well-being-connect](http://www.hmsa.com/wellness-programs/well-being-connect). HMSA Well-Being Connect offers the following:

- **Healthways Well-Being Assessment (WBA)** is an interactive health assessment that goes beyond the traditional health risk assessment focused on physical and health status questionnaires. The assessment offers each individual insight into physical, emotional, and social health. Six scientifically defined areas are addressed – physical health, emotional health, life evaluation, work environment, basic access and healthy behavior. Key well-being metrics are leveraged from Healthways' partnership with Gallup and the Gallup-Healthways Well-Being Index™ ([www.well-beingindex.com](http://www.well-beingindex.com)). A member's comprehensive Well-Being Report and Well-Being Score summarizes member-specific data results, collected through the WBA and is compared to national metrics obtained through the Well-Being Index.
- **Well-Being Plan, Exercise, Healthy Eating, Stress Management and Weight Management Trackers:** Dynamic online trackers, and suggested action items support the overall health of each individual, and help encourage individuals to reach and maintain their Well-Being goals.
- **Resources and Tools:** Well-Being Connect pushes health information, articles and audio/video segments to individuals based on their Well-Being Plans. Individuals also have access to hundreds of articles on health and disease topics.
- **Health Coaching**  
Telephonic Health Coaching by a team of health professionals such as registered nurses, exercise physiologists, health educators, and registered dietitians is an added source of support and guidance for our members on nutrition, exercise, stress management, and weight management in addition to chronic disease management, behavioral health, and smoking cessation.

HMSA members can use HMSA's Well-Being Connect at no cost; all you need is an active My Account. For more information, on HMSA's Well-Being Connection or Health Coaching call HMSA toll-free at 1-855-329-5461, Monday through Friday, from 8 AM to 7 PM; Saturday from 8 AM to 5 PM.

For more information on how to enroll in HMSA's My Account, please contact HMSA's EUTF Customer Service line, Monday through Friday from 7:00 AM to 7:00 PM at 808-948-6499 or toll-free at 1-800-776-4672.

*\*HMSA's Well-Being Connect is available to eligible HMSA members age 18 or older.*

### Kaiser Permanente:

#### **My Health Manager**

As a member registered on [kp.org](http://kp.org), you will have secure 24-hour access to My Health Manager. This online resource offers tools to manage your care online. You are able to email your physician, view most lab tests, refill prescriptions, and help take care of a family member, like a child or parent. Find a guided tour of my health manager at [kp.org/experience](http://kp.org/experience).

#### **kp.org**

Take charge of your health anytime, anywhere, with online articles, wellness topics, and health calculators. Find new ways to live well with recipes, podcasts, videos, and much more.

#### **Healthy Lifestyle Programs**

Together with HealthMedia, Kaiser offers a personalized approach to improving your well-being with their healthy lifestyle programs. Choose a program that's right for you and get a customized action plan that can help get your life headed in a healthier direction. Start making positive changes today. Visit [kp.org/healthylifestyles](http://kp.org/healthylifestyles) for more information.

#### **Health Encyclopedia**

Kaiser has a wealth of in-depth information on health conditions, related symptoms, a symptom checker and treatment options at [kp.org/health](http://kp.org/health).

#### **Health Classes**

Kaiser offers many health classes their facilities. They offer classes such as, yoga, eating well, baby care, tai chi, first aid, and much more. Find a class near you at [kp.org/classes](http://kp.org/classes)

**Important:** The EUTF is a separate organization from the ERS. If you have any questions about information in this article, please **DO NOT** contact ERS. Please contact the EUTF directly at 586-7390 or toll-free at 1-800-295-0089, or email the EUTF at [eutf@hawaii.gov](mailto:eutf@hawaii.gov). You can also visit our website for more information @ [www.eutf.hawaii.gov](http://www.eutf.hawaii.gov).



## Employees' Retirement System

of the State of Hawaii

*Working to fulfill your retirement dreams...*

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Scan the QR code with your smartphone  
to directly access the ERS website.

# Holomua

## Active Members

*October/November/December 2013*

## Ask ERS

### Answers to some frequently asked questions:

**Q:** When I retire, when will I receive my pension payments?

**A:** If your application is fully completed, you will receive your first pension payment at the end of the month of your retirement date, or the end of the following month for 12/31 retirements. Thereafter, you will receive your pension payments on a monthly basis, at the end of the month or on the last business day. We require that all pension payments be direct deposited to an account with a financial institution.

**Q:** For Noncontributory plan active members, why can't I designate a beneficiary?

**A:** By law, Noncontributory active death benefits are paid only to the surviving spouse and dependent children (under age 18), provided you have at least 10 years of service. There is no active death benefit for a member who does not have a spouse or dependent children. Similar to the Social Security plan, there would be a monthly benefit for qualified immediate family members based on your years of service and average final compensation. As a Noncontributory plan member, you have no retirement contributions deducted from your salary; and, therefore, there is no lump sum death benefit. Upon retirement, you will be able to designate a beneficiary for any retiree survivor benefits payable.

**Q:** As a Contributory or Hybrid member, do I continue to receive a pension even if I deplete my retirement contributions?

**A:** Yes. You will receive a lifetime pension regardless of the amount contributed to, or received from, your retirement contribution account. The ERS is a "defined benefit plan" in which your pension is based on your service and compensation, not on your retirement contributions. Contributory or Hybrid members who elect 100% refund options are also eligible for a reduced lifetime monthly benefit.

## How to Contact Us

**Monday-Friday 7:45 a.m. - 4:30 p.m.**  
(except State holidays)

**Oahu** Office, Phone: (808) 586-1735

**Kauai** Office, Phone: (808) 274-3010

**Hawaii** Office, Phone: (808) 974-4077

**Maui** Office, Phone: (808) 984-8181

**Molokai & Lanai**, toll free to Oahu:  
1-800-468-4644

**Continental U.S.** toll free to Oahu:  
1-888-659-0708